

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

State Capitol, Room 113
Sacramento, CA

Minutes of Meeting
October 9, 2008

COMMISSIONERS PRESENT

Cathie Bennett Warner, Chair
Michele Burton, M.P.H.
Wilma Chan
Marvin Kropke

COMMISSIONERS ABSENT

Vicki Marti
Nancy McFadden

CMAC STAFF PRESENT

J. Keith Berger, Executive Director
Tacia Carroll
Paul Cerles
Nathan Davis
Holland Golec
Mark Klobberdanz
Katie Knudson
Genaro Rodriguez
Becky Swol
Mervin Tamai
Karen Thalhammer

EX-OFFICIO MEMBERS PRESENT

Cathy Halverson, Department of Health Care Services
Randy Ward, Department of Finance

EX-OFFICIO MEMBERS ABSENT**I. Call to Order**

The October 9, 2008 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Chair Bennett Warner. A quorum was present.

II. Approval of Minutes

The September 25, 2008 meeting minutes were approved as prepared by CMAC staff.

III. Executive Director's Report

Keith Berger, Executive Director, began his report by informing the Commissioners that the Department of Health Care Services (DHCS) has notified CMAC that the estimated stabilization dollars for waiver demonstration year 2007-08 are high enough that DHCS believes that the minimum amount in current statute to be transferred this year to the Distressed Hospital Fund (DHF), \$7.65 million plus federal match where available, can be transferred now. Mr. Berger said that these new "component two" dollars can be added to this year's already available "component one" funds as CMAC moves forward with the DHF process. He noted that the first component is a little over \$14 million, making the total approximately \$22 million plus federal match.

Mr. Berger explained that there is the potential for there to be up to an additional \$4 million, plus federal match where available, as part of this year's component two, once the stabilization calculations are finalized. He noted that at this time, CMAC wants to move forward with everything that is available and thanked DHCS for their efforts to support that goal.

Regarding the proposed seismic presentation, Mr. Berger indicated that it has been rescheduled for the November 20, 2008 CMAC meeting. He said that he is hoping for an informative discussion with the representatives from both the Office of Statewide Health Planning and Development (OSHPD) and the California Hospital Association (CHA).

Mr. Berger informed the Commissioners that the ex-officio representatives from DHCS and the Department of Finance (DOF) have kindly agreed to provide an overview of some of the key items in the new budget, like they did with the May Revise.

Mr. Berger noted that there are 53 contracts and amendments before the Commissioners for review and action in closed session as well as continuing discussions and updates regarding current hospital negotiations and negotiation strategies.

At this time, Randy Ward (DOF) provided a brief overview of the Medi-Cal portion of the new budget.

Mr. Ward began by informing CMAC that current year Medi-Cal expenditures are estimated to be \$38.6 billion (\$14.5 billion General Fund [G.F.]).

He explained that this is a net increase over the previous year of \$1.8 billion, primarily due to caseload and rate adjustments for Medi-Cal managed care plans offset by the implementation of several budget-balancing reductions, including reductions in provider payment rates and limitations on the rates that managed care plans pay to non-contract hospitals for emergency care services and post-stabilization services following an emergency admission.

In the fiscal emergency special session, Mr. Ward commented, the Legislature adopted AB X3 5, which authorized several changes for Medi-Cal and other DHCS programs that will reduce expenditures and address California's cash flow problems. That legislation

authorized a 10 percent reduction in payments to Medi-Cal fee-for-service and managed care Medi-Cal provider programs, in inpatient care payments to hospitals that do not contract with Medi-Cal, as well as in provider payments for the California Children's Services program, the Child Health and Disability Prevention program and the Genetically Handicapped Persons Program. The net impact of these reductions was an expected savings of \$1.2 billion (\$614.3 million G.F.).

Mr. Ward informed CMAC that in late April 2008, two lawsuits were filed in Los Angeles County Superior Court seeking an injunction against the implementation of the 10 percent provider rate cut and payment hold provisions of AB X3 5, alleging among other claims, that it violated federal Medicaid requirements. Both cases have been removed to federal court. He noted that the U.S. District Court issued a preliminary injunction to halt the 10 percent reduction of payments to specified classes of providers under the Medi-Cal Program. This preliminary injunction applies to Medi-Cal covered payments for specified provider services on or after August 18, 2008. Mr. Ward continued to say that the proceedings of the U.S. District Court have not concluded. The fiscal impact of the lawsuit could create a \$574 million G.F. deficit in the Medi-Cal budget. However, \$221 million of this exposure was budgeted in the 2008 budget.

Mr. Ward indicated that the budget included additional funding of \$345.4 million (\$165.8 million G.F.) to provide rate adjustments for Medi-Cal managed care plans.

Mr. Ward concluded his report by saying that the average monthly caseload in Medi-Cal is estimated to be 6.73 million in the current year.

IV. Department of Health Care Services (DHCS) Report

At this time, Ms. Halverson began her report. She informed CMAC that Medi-Cal is projected to serve 6.7 million in FY 2008-09, as mentioned by Mr. Ward, which is an increase from last year due to the current economy, and that enrollment growth continues to rise.

Ms. Halverson indicated that the State has 440 Medi-Cal hospital providers and 130,000 physicians, pharmacists, dentists, and other health care providers. She said that there are 2,886 positions at DHCS, but 134 positions were cut and currently, there is a hiring freeze.

To elaborate on the provider payment reductions, Ms. Halverson explained that as of August 18, 2008, the Federal District Court issued an injunction on the provider rate reductions for groups of providers. Fortunately, Ms. Halverson noted, the budget restores many of the provider cuts, and effective March 1, 2009, instead of seeing a reduction of 10 percent, most providers will receive a reduction of one percent including physicians, dentists, optometrists and clinics. Also, effective March 1, 2009, pharmacies and adult day health centers will experience a five percent reduction.

Ms. Halverson said that effective November 1, 2008, small and rural hospitals will no longer experience the 10 percent reduction in reimbursement that they experienced on July 1, 2008 and will receive their previous reimbursement rates.

Ms. Halverson informed CMAC about some of the many projects that DHCS will be working on in the upcoming year. She stated that one of the major projects for DHCS for years to come will be the re-procurement of the Medicaid Management Information System, which she said had not been updated since 1976, before personal computers. She expects that this project will require a significant number of DHCS staff members to spend a lot of time on the implementation of this system. Ms. Halverson said that they will be awarding a contract to a vendor next year, but that this process is expected to take years.

Another project that DHCS is beginning is the initial planning of the process for renewal of the hospital financing/uninsured demonstration waiver, since DHCS is already in the fourth year out of five of the waiver, which includes the safety net care pool and the coverage initiative.

Regarding the coverage initiative, Ms. Halverson explained that DHCS had just made the first payments for the first year due to extensive negotiations with the Centers for Medicare and Medicaid (CMS) regarding the methodology for claiming funds from the federal government.

Ms. Halverson noted that DHCS also has other initiatives and methodologies to improve concerning managed care plans and nursing home reimbursement, payment reform for adult day health centers and modifications for the California Children's Services program. She said that some other important projects for DHCS would be to automate the provider enrollment process, which should make it easier for providers to interact with DHCS, as well as to streamline the utilization management treatment authorization process.

Following the budget updates, Mr. Berger thanked both ex-officio CMAC members for their reports and noted that despite a difficult budget year, he was thankful for their continued efforts to improve the Medi-Cal program.

V. New Business/Public Comments/Adjournment

There being no new business and no comments from the public, Chair Bennett Warner recessed the open session. Chair Bennett Warner opened the closed session and, after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Chair Bennett Warner announced that the Commission had taken action on hospital contracts and amendments in closed session. The open session was then adjourned.